

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-15 /108 W

-----123664 241957Z /43

R 242016Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5713
INFO ALL EC CAPITALS
AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY NICOSIA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 05964

USEEC

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: GDS
TAGS: EEC, CY, ECIN, ETRD, EAGR
SUBJ: EC/CYPRUS TRADE AGREEMENT ON AGRICULTURAL PRODUCTS:
A HOT POTATO

REF: (A) BRUSSELS 4529 (B) BRUSSELS 4251 (C) NICOSIA 681
(D) EC A-97 OF MARCH 3, 1976

1. MARCH 17, EC COMMISSION AND CYPRUS DELEGATIONS CON-
CLUDED NEGOTIATIONS ON A NEW TRADE AGREEMENT FOR AGRI-
CULTURAL PRODUCTS COVERING POTATOES, CARROTS, GRAPES AND
SHERRY, BUT THE AGREEMENT HAS NOT YET BEEN INITIALLED.
AS REPORTED REFS A AND C, COMMUNITY CONCESSIONS ON THESE
PRODUCTS ARE LESS THAN WHAT THE CYPRIOTS HAD DEMANDED,
PARTICULARLY AS REGARDS CYPRUS POTATOES, WHERE EC
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OFFERED TARIFF REDUCTIONS AND QUOTAS OF 65 PERCENT AND
75,000 TONS IN 1978, AND 60 PERCENT AND 65,000 TONS IN
1979. COMMISSION AND CYPRUS MISSION OFFICIALS NOTED,
HOWEVER, THAT CYPRUS WAS RELUCTANTLY PREPARED TO ACCEPT
THE NEW ACCORD, BUT DID NOT, IN THE END, INITIAL THE
AGREEMENT BECAUSE OF THE INCLUSION OF AN ITALIAN-INSPIRED
PROVISO MAKING THE APPLICATION OF THE 65 PERCENT TARIFF

REDUCTION ON CYPRUS POTATOES CONTINGENT ON AN EC COUNCIL DECISION TO CREATE A COMMON MARKET ORGANIZATION FOR COMMUNITY POTATOES (REF D).

2. ACCORDING TO PERMDEL AND CYPRUS MISSION SOURCES, EXTENSIVE MEMBER STATE AND COMMISSION EFFORTS TO GET THE ITALIANS TO WITHDRAW THIS PROVISIO FAILED IN A MARATHON COREPER MEETING MARCH 23. DANISH PERMDEL SOURCE NOTED THAT ITALIANS WERE NOT EVEN PREPARED TO CONSIDER A COMMISSION PROPOSAL THAT THE CONCESSIONS IN THE NEW AGREEMENT BE APPLIED AUTONOMOUSLY BY THE EC FOR THREE MONTHS BEGINNING APRIL 1, WITHOUT PRECONDITIONS. THE ITALIANS, HE SAID, WERE INSISTENT UPON RECEIVING ASSURANCES REGARDING THE CREATION OF A COMMON MARKET ORGANIZATION FOR COMMUNITY POTATOES OR SOME OTHER ARRANGEMENT PROTECTING ITALIAN POTATOES BEFORE THEY WOULD LIFT THEIR PROVISIO IN THE EC/CYPRUS TRADE AGREEMENT. SOURCE FURTHER SAID THAT THE FRENCH CONTRIBUTED TO THE IMPASSE BY OPPOSING THE CREATION OF SUCH AN ORGANIZATION. ACCORDING TO DANISH OFFICIAL, INTENTION IS NOW FOR THE COMMISSION PROPOSAL ON SHORT-TERM AUTONOMOUS COMMUNITY MEASURES TO BE SUBMITTED TO THE EC COUNCIL WORKING GROUP ON APRIL 3 WITH A VIEW TO ITS BEING DISCUSSED BY THE COUNCIL WHEN IT MEETS APRIL 3-4. SOURCE THOUGHT IT MAY BE POSSIBLE TO GET THE ITALIANS TO AGREE TO A MODIFIED VERSION OF THAT COMMISSION PROPOSAL, WHICH WOULD HAVE THE PROVISIONS NEGOTIATED IN CONFIDENTIAL

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THE NEW EC/CYPRUS TRADE AGREEMENT APPLIED AUTONOMOUSLY FOR ONLY 6 WEEKS (APRIL 1 TO MAY 15), THUS HOPEFULLY GIVING EC MEMBER STATES TIME TO RESOLVE THE PROBLEM POSED BY THE ITALIANS.

3. ITALIANS ARE BECOMING INCREASINGLY UNPOPULAR WITHIN THE COUNCIL--WHERE, AS IN THE COMMISSION, THERE IS CONSIDERABLE SYMPATHY FOR CYPRUS' MARKETING REQUIREMENTS--FOR CHOOSING THE CYPRUS TRADE NEGOTIATIONS TO MAKE THEIR STAND ON GUARANTEES FOR ITALIAN AGRICULTURE. ALTHOUGH ALSO EXPRESSING SYMPATHY FOR THE CYPRIOT POSITION, ITALIANS DO NOT SEEM PREPARED TO RELENT FROM THEIR POSITION. EC OFFICIALS NOTE THAT CYPRUS IS UNDERSTANDABLY UNHAPPY THAT A PURELY INTERNAL COMMUNITY AFFAIR OVER WHICH IT HAS NO CONTROL--I.E., A CAP FOR POTATOES--SHOULD BE INCLUDED IN THE NEW TRADE AGREEMENT. WE UNDERSTAND THAT CYPRIOT PRESIDENT KYPRIANOU MAY HAVE VOICED HIS DISMAY ON THIS POINT DIRECTLY TO THE COMMISSION.

4. COMMENT: IF EC COUNCIL IS UNABLE TO FIND A SOLUTION TO THE PRESENT IMPASSE, THE CYPRIOTS WILL PRESUMABLY BE CONFRONTED WITH TWO DIFFICULT CHOICES: (A) CONTINUE TO

REFUSE TO INITIAL THE AGREEMENT REACHED ON MARCH 17 AND
HAVE NO AGREEMENT WITH THE COMMUNITY, OR (B) ACCEPT THE
NEW ACCORD WITH THE ITALIAN PROVISIO AND HOPE FOR AN EARLY
EC SOLUTION TO THE COMMUNITY'S INTRAMURAL IMPASSE. IN
NEITHER CASE WOULD CYPRUS BENEFIT IMMEDIATELY FROM THE
65 PERCENT TARIFF REDUCTION ON ITS POTATOES ENVISAGED
UNDER THE NEW AGREEMENT. THE QUESTION WOULD THEN ARISE
WHETHER, TO PROVIDE CYPRUS SOME RELIEF, THE COMMISSION
WOULD PROPOSE AN EXTENSION OF THE JANUARY 1 AUTONOMOUS MEAS-
URES WHICH EXPIRE MARCH 31. ACCORDING TO CYPRIOT
MISSION SOURCE, THIS WOULD BE FAR FROM SATISFACTORY
SOLUTION SINCE FOR THE UPCOMING MARKETING SEASON THE
TARIFF REDUCTION ON POTATOES WOULD REMAIN AT THE PRESENT
40 PERCENT. HOWEVER, IF ALL ELSE FAILS, CYPRUS MISSION
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SOURCE SAID THAT SOLUTION WOULD BE BETTER THAN NOTHING.

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TO SECSTATE WASHDC 5714
INFO ALL EC CAPITALS
AMEMBASSY ATHENS
AMEMBASSY LISBON
AMEMBASSY MADRID
USMISSION USNATO

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 05964

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